

Message Text

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C O N F I D E N T I A L SECTION 1 OF 5 USNATO 6869

SECDEF FOR ISA(MILLER), COMPTROLLER(UMBARGER).

JCS FOR J-5.

E.O. 11652: XGDS1

TAGS: MARR NATO

SUBJECT: GENERAL REPORT TO THE NORTH ATLANTIC COUNCIL- 1975

BUDGET ESTIMATES FOR NATO MILITARY HEADQUARTERS,
AGENCIES AND PROGRAMS

SUMMARY . FINAL DRAFT TEXT OF MILITARY BUDGET COMMITTEE REPORT
TO COUNCIL PROVIDED HERE. APPENDICES ARE BEING FINALIZED
AND REPORT TRANSLATED. DISTRIBUTION TO COUNCIL WILL BE MADE AT
END OF WEEK. COUNCIL EXPECTED TO ACT ON REPORT WEEK OF 16 DEC
74. SEPARATE REQUEST FOR INSTRUCTIONS FOLLOWS. END SUMMARY.

QUOTE:

I. INTRODUCTION

1. THE MILITARY BUDGET COMMITTEES RECOMMENDATIONS
FOR APPOROVAL OF THE BUDGETS AND RELATED INTERNATIONAL
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CIVILIAN PERSONNEL ESTABLISHMENTS OF NATO MILITARY HEAD-
QUARTERS, AGENCIES AND PROGRAMMES FOR 1975 ARE ADDRESSED TO THE
COUNCIL AND THE DEFENCE PLANNING COMMITTEE IN TWO SEPARATE
DOCUMENTS(1). THESE RECOMMENDATIONS ARE SUMMARISED IN THE PRESENT

REPORT, WHICH INFORMS THE COUNCIL OF THE CONDITIONS AND CONSIDERATIONS WHICH GOVERNED THEIR FORMULATION. THE REPORT ALSO DRAWS ATTENTION TO A NUMBER OF PARTICULAR QUESTIONS CONCERNING THE MILITARY BUDGETS FOR 1975 AND TO ACTIONS TAKEN BY THE MILITARY BUDGET COMMITTEE IN GENERAL IMPLEMENTATION OF THE POWERS OF DECISION DELEGATED TO IT BY THE COUNCIL/DEFENCE PLANNING COMMITTEE.

2. IN ACCORDANCE WITH ARTICLE 5 OF THE NATO FINANCIAL REGULATIONS, THE INDIVIDUAL BUDGETS OF HEADQUARTERS AND AGENCIES ARE RECOMMENDED, APPROVED AND EXECUTED IN THE CURRENCY OF THE COUNTRY IN WHICH THE HEADQUARTERS OR AGENCY IS SITUATED. THE INDIVIDUAL BUDGETS FOR MILITARY PROGRAMMES ARE SIMILARLY RECOMMENDED, APPROVED AND EXECUTED IN THE CURRENCIES OF THE HOST COUNTRIES OF THE HEADQUARTERS RESPONSIBLE FOR ADMINISTRATION OF THE PROGRAMMES. HOWEVER, TO PERMIT COMPARISONS AND ANALYSES, ALL BUDGETARY FIGURES APPEARING IN THIS REPORT AND ITS ANNEXES ARE STATED IN BELGIAN FRANC EQUIVALENTS OF THE BUDGET CURRENCIES, CALCULATED AT THE EXCHANGE RATES APPLIED BY NATO ON 18TH NOVEMBER, 1974(2).

II. THE INTERNATIONAL MILITARY BUDGET FOR 1974

3. THE TABLE AT ANNEX A SUMMARISES THE INTERNATIONAL MILITARY BUDGET APPROVED FOR 1974 BY DECISIONS OF THE COUNCIL/DEFENCE PLANNING COMMITTEE AND THE MILITARY BUDGET COMMITTEE. THE TOTAL CREDIT APPROVED, EQUIVALENT TO BF, REMAINS WITHIN THE 1974 CEILING OF BF 5,400 MILLION. THE

1) TO THE COUNCIL IN DOCUMENT C-M(74)
TO THE DEFENCE PLANNING COMMITTEE IN DOCUMENT DPC/D(74)
(2) SEE MBC-M(74)412 AND FOOTNOTE TO ANNEX BI

TOTAL CREDITS APPROVED UNDER THE 14 NATION AND 15 NATION
COST SHARING FORMULAE (RESPECTIVELY EQUIVALENT TO BR
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AND BF) REMAIN WITHIN THE
MAXIMUM AUTHORISATION LIMITS SET FOR EACH FORMULA UNDER THIS
CEILING(3).

III. THE INTERNATIONAL MILITARY BUDGET FOR 1975

(A) CONDITIONS AND CONSIDERATIONS GOVERNING THE
COMMITTEES REVIEW OF THE ESTIMATES

4. THE COMMITTEES GENERAL REPORT ON THE 1974
INTERNATIONAL MILITARY BUDGET FORECAST THAT, IN THE PREVAILING
FINANCIAL CLIMATE, THERE COULD BE NO EXPECTATION OF
SIGNIFICANT INCREASES IN NATIONAL CONTRIBUTIONS TO THE

INTERNATIONAL MILITARY BUDGET(4). ON THE OTHER HAND, THE FINANCIAL REQUIREMENTS OF NATO MILITARY HEADQUARTERS, AGENCIES AND PROGRAMMES HAVE BEEN AUGMENTED BY THE RAPID RATES OF SALARY/WAGE AND PRICE INFLATION OBSERVABLE IN ALMOST ALL MEMBER COUNTRIES. UNTIL POLICY DECISIONS ARE REACHED ON, FOR EXAMPLE, RATIONALISATION OR REORGANISATION OF HEADQUARTERS OR CHANGES IN EXISTING ELIGIBILITY FOR COMMON FUNDING, THE COUNTRIES ARE FACED WITH THE IMPLICATIONS OF INFLATION. THE AIM OF THE COMMITTEE HAS THEREFORE BEEN TO ASSESS AND RECOMMEND THE FINANCIAL PROVISION WHICH IT CONSIDERS ADEQUATE TO COVER THE COST OF MAINTAINING THE EXISTING INTERNATIONAL MILITARY STRUCTURE AND LEVEL OF ACTIVITIES THROUGHOUT 1975 AND TO PERMIT INTRODUCTION INTO THE BUDGET OF NEW MILITARY REQUIREMENTS OF ONLY THE HIGHEST PRIORITY.

5. THE COMMITTEE, TO IDENTIFY ANY SIGNIFICANT NEW DEVELOPMENTS OF STRUCTURE OR ACTIVITIES AND TO ASSESS AS ACCURATELY AS POSSIBLE THE EFFECT OF SALARY/WAGE AND PRICE INFLATION ON THE COSTS OF MAINTAINING THE EXISTING INTERNATIONAL MILITARY ESTABLISHMENT, DIRECTED THAT:

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C O N F I D E N T I A L SECTION 2 OF 5 USNATO 6869

SECDEF FOR ISA(MILLER), COMPTROLLER(UMBARGER).

JCS FOR J-5.

(A) ALL INDIVIDUAL 1975 BUDGET ESTIMATES SHOULD BE PREPARED ON THE BASIS OF KNOWN SALARY/WAGE AND PRICE LEVELS PREVAILING ON 1ST APRIL, 1974 AND WITHIN THE EQUIVALENT OF BF 5,-50 MILLION;

(3) SEE C-M(73)85, PARAGRAPHS 8 AND 9

(4) SEE C-M(73)85, PARAGRAPH 12

(B) THE MAJOR NATO COMMANDS SHOULD PROPOSE REVISIONS OF ITS RECOMMENDATIONS TO TAKE ACCOUNT OF THE EFFECTS OF APPROVED SALARY/WAGE AND KNOWN PRICE INCREASES FOR THE PERIOD 1ST APRIL TO 31ST DECEMBER, 1974;

(C) THE MAJOR NATO COMMANDS SHOULD SUBMIT FOR INFORMATION AND EXAMINATION BY THE MILITARY COMMITTEE ON A PRIORITY BASIS:

(1) MILITARY REQUIREMENTS WHICH COULD NOT BE MET WITHIN THE EQUIVALENT OF BF 5,150 MILLION;

(2) ESTIMATES OF SALARY/ WAGE AND PRICE INCREASE

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PREDICTED FOR THE PERIOD 1ST JANUARY TO 31ST DECEMBER, 1975;

(3) ESTIMATES OF THE COSTS OF INTRODUCING INTO THE BUDGET NEW REQUIREMENTS OF THE HIGHEST PRIORITY.

B. RECOMMENDED AND FORECAST BUDGETARY PROVISIONS

(A) ANNUAL BUDGETS RECOMMENDED FOR APPROVAL

6. THE ANNUAL BUDGETS CURRENTLY RECOMMENDED FOR APPROVAL BY THE CONCIL /DEFENCE PLANNING COMMITTEE REFLECT THE COMMITTEES JUDGEMENTS BASED ON ITS REVIEW OF THE ESTIMATES SUBMITTED IN ACCORDANCE WITH THE DIRECTIVES MENTIONED IN PARAGRAPH 5(A) ABOVE, ADJUSTED FOR APPROVED SALARY/WAGE INCREASES AS PROPOSED BY THE MAJOR NATO COMMANDS IN ACCORDANCE WITH THE DIRECTIVES MENTIONED IN PARAGRAPH 5(B) ABOVE. THEY EXCLUDE ADJUSTMENT PROPOSED IN ACCORDANCE WITH THESE LATTER DIRECTIVES FOR KNOWN PRICE INCREASES PREVAILING ON 31ST DECEMBER, 1974. THE COMMITTEE RECEIVED THE VOLUMINOUS JUSTIFICATIONS FOR THE PROPOSALS TOO LATE TO BE ABLE TO SUBJECT THEM TO THE DETAILED SCREENING CONSIDERED NECESSARY TO DETERMINE THE EXTENT TO WHICH THE ADJUSTMENTS COVER PRICE INCREASES ONLY AS OPPOSED TO A DISGUISED RESTORATION OF REQUESTS ELIMINATED IN ITS REVIEW OF THE ORIGINAL BUDGET ESTIMATES. THE COMMITTEE WILL ACT ON THESE ADJUSTMENTS AS SUPPLEMENTARY BUDGETS.

7. THE TOTAL OF THE BUDGET CREDITS RECOMMENDED FOR COUNCIL/DEFENCE PLANNING COMMITTEE APPROVAL, EXCLUDING THE BUDGETS NOTED IN PARAGRAPH 10 BELOW, IS EQUIVALENT TO BF 100 AND IS TO BE COST SHARED BY THE 15 NATIONS IN THE AMOUNT OF BF 66.67 AND BY THE 14 NATIONS IN THE AMOUNT OF BF 33.33 (5).

(5) THE TABLE AT ANNEX BI SUMMARISES BY HEADQUARTERS, AGENCIES AND PROGRAMMES, IN BELGIAN FRANC EQUIVALENTS, THE 1975 BUDGETS RECOMMENDED FOR APPROVAL BY C-M(74) AND DPC/D(74). IT ALSO COMPARES THEM WITH THE CORRESPONDING BUDGETARY AUTHORISATIONS FOR 1974.

8. THE AMOUNT TO BE COST SHARED BY THE 15 NATIONS
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INCLUDES THE BUDGET OF THE NATO PROGRAMMING CENTRE, TO WHICH
FRANCE NOW CONTRIBUTES, HAVING OBTAINED THE GUARANTEES IT
HAD EARLIER STIPULATED AS A CONDITION OF ITS PARTICIPATION(6).

9. DURING ITS EXAMINATION OF THE 1975 BUDGET REQUESTS,
THE COMMITTEE HAS AT ALL TIMES BEEN ACUTELY AWARE OF THE
CONCERN OF THE MILITARY COMMITTEE REGARDING BUDGET LEVELS
AS THIS CONCERN IS FINALLY EXPRESSED TO THE COUNCIL/DEFENCE
PLANNING COMMITTEE IN MC 233(MILITARY DECISION).
AS THE MC HAS NOT INDICATED AGREEMENT FROM A MILITARY POINT OF
VIEW EITHER TO INDIVIDUAL BUDGETS ON THE ENSEMBLE OF BUDGETS, THE
MILITARY BUDGET COMMITTEE IS COMPELLED TO ADVISE THE COUNCIL
THAT IT BELIEVES THE FINANCIAL PROVISIONS FOR 1975 ADEQUATELY
PROVIDE FOR THE CONCERNS OF THE MILITARY COMMITTEE AS NOTED
ABOVE.

(B) ANNUAL BUDGET ESTIMATES STILL TO BE APPROVED

10. THE FOLLOWING BUDGETS ARE NOT INCLUDED AMONG THOSE
CURRENTLY RECOMMENDED FOR APPROVAL.

(1) EARLY WARNING SYSTEM

(2) NADGE

THE ESTIMATES FOR NADGE HAVE NOT YET BEEN SUBMITTED. THE
COMMITTEE CONSIDERS IT DESIRABLE TO EXAMINE THEM IN
CONJUNCTION WITH THOSE FOR THE EARLY WARNING SYSTEM AND HAS
THEREFORE DECIDED TO DEFER ITS REVIEW OF THE LATTER WHICH ARE
ALREADY IN ITS POSSESSION. THE COMMITTEE WILL AUTHORISE
OPERATIONAL EXPENDITURE IN ACCORDANCE WITH THE PROVISIONS
OF ARTICLE 7(B) OF THE NATO FINANCIAL REGULATIONS PENDING
APPROVAL OF THESE TWO BUDGETS BY THE COUNCIL. THE SHAPE
PRELIMINARY ESTIMATES FOR THESE BUDGETS AMOUNT TO BF .

(6) SEE C-M (73)85, PARAGRAPH 5

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C O N F I D E N T I A L SECTION 3 OF 5 USNATO 6869

SECDEF FOR ISA(MILLER), COMPTROLLER(UMBAFGER).
JCS FOR J-5.

11. THE TOTAL OF THE ANNUAL BUDGETS CURRENTLY RECOMMENDED FOR APPROVAL AND OF THOSE REMAINING TO BE APPROVED IS EQUIVALENT OF BF . THIS REPRESENTS AN INCREASE OF BF , OR 9.25 PCT, OVER THE TOTAL OF THE CORRESPONDING ANNUAL BUDGETS APPROVED IN C-M(73)86 AND DPC/D(73)25 FOR 1974 IN AMOUNTS EQUIVALENT TO BF 4,938,990,473(7). THE MAJOR FACTORS OF INCREASE ARE:

(1) SALARIES AND WAGES

-- IMPLEMENTATION OF THE PROVISIONS OF THE REPORTS OF THE COORDINATING COMMITTEE OF GOVERNMENT BUDGET EXPERTS, AS APPROVED BY THE COUNCIL, CONCERNING ADJUSTMENTS OF THE SALARIES AND ALLOWANCES OF INTERNATIONAL CIVILIAN PERSONNEL FOR 1974;

-- THE AUTOMATIC CONSEQUENCES OF THESE ADJUSTMENTS ON REIMBURSEMENTS DUE TO HOST COUNTRIES FOR THE COSTS OF NATIONAL MILITARY PERSONNEL THEY USING TO MAN VARIOUS NATO COMMUNICATIONS AND ELECTRONICS SYSTEMS;
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-- CONTINUING ADJUSTMENTS OF REMUNERATION FOR LOCAL WAGE SCALE PERSONNEL;

(2) PRICES

-- DIRECT AND INDIRECT EFFECTS OF THE RISE IN COST OF PETROLEUM PRODUCTS.

(C) TOTAL BUDGET FORECAST FOR 1975

12. SUPPLEMENTARY BUDGETARY REQUIREMENTS COVERING 1974 AND 1975 PRICE ADJUSTMENTS, 1975 SALARY/WAGE ADJUSTMENTS AND VARIOUS MILITARY REQUIREMENTS OF THE HIGHEST PRIORITY ARE FORECAST BY THE MILITARY COMMITTEE AND THE MAJOR NATO COMMANDS IN AMOUNTS WHICH RANGE UP TO THE EQUIVALENT OF BF 900.MILLION. IN THE LIGHT OF PAST YEARS EXPERIENCE, THE TOTAL AMOUNT OF THE FORECAST REQUIREMENT WILL PROBABLY NOT BE ENTIRELY APPROVED DURING 1975. FOR THIS REASON,

AND BECAUSE OF DIFFERENT NATIONAL BUDGETARY PROCEDURES AND REQUIREMENTS, THE COMMITTEE CONSIDERS THAT THE TOTAL OF CREDIT AUTHORISATIONS FOR 1975 SHOULD NOT EXCEED BF 5,900 MILLION.

(7) RECALCULATION OF THE FIGURE OF BF 5,027.56 MILLION IN PARA 9 OF C-M(73)85 AT THE EXCHANGE RATES APPLIED BY NATO ON 18TH NOVEMBER, 1974.

13. THE FOLLOWING TABLE SUMMARISES THE TOTAL BUDGET FORECAST FOR 1975, WITH AN ASSESSMENT OF THE ELEMENTS TO BE FINANCED BY THE 15 AND THE 14 NATIONS:

(BF MILLION)

TO BE FINANCED BY

15 NATIONS 14 NATIONS TOTAL

(A) BUDGETS CURRENTLY
RECOMMENDED FOR APPROVAL

(B) ESTIMATE OF BUDGETS 1,164.80 ----- 1,164.80
STILL TO BE APPROVED

(C) PROVISION FOR (8) -----
SUPPLEMENTARY AUTHORISATIONS
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(D) MAXIMUM OF (8) ----- 5,900.00
CREDIT AUTHORISATIONS FOR 1975

IV SPECIAL OBSERVATIONS

(A) PERSONNEL ESTABLISHMENTS

14. THE TABLE AT ANNEX CI SUMMARISES THE INTERNATIONAL CIVILIAN PERSONNEL ESTABLISHMENT RECOMMENDED IN THE MILITARY BUDGETS OFR INTERNATIONAL MILITARY HEADQUARTERS, AGENCIES AND PROGRAMMES IN 1975. THE ESTABLISHMENT SHOWS NO SIGNIFICANT INCREASE OVER THAT APPROVED FOR 1974, EITHER IN THE TOTAL NUMBER OF POSTS OR THE NUMBERS OF POSTS BY GRADES. THE COMMITTEES RECOMMENDATIONS REFLECT PURSUIT OF TIS POLICY, PREVIOUSLY REPORTED TO THE COUNCIL(9), OF SEEKING COMPENSATING DELETIONS OF EXISTING CIVILIAN POSTS FOR ALL NEW CIVILIAN

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C O N F I D E N T I A L SECTION 4 OF 5 USNATO 6869

SECDEF FOR ISA(MILLER), COMPTROLLER(UMBARGER).
JCS FOR J-5.

(8) FOR BUDGETS FINANCED BY THE 15 NATIONS, FRANCE, TAKING
ACCOUNT OF FORESEEABLE SALARY AND PRICE INCREASES, REQUESTS
THAT, AS FAR AS POSSIBLE, AND IN THE FRAMEWORK
OF EXISTING OBLIGATIONS, ITS TOTAL SHARE OF CONTRIBUTIONS
FOR 1975 BE LIMITED TO FF 48 MILLION, REPRESENTING
ROUGHLY A 10PCT INCREASE OVER THE TOTAL OF 15 NATIONS
CONTRIBUTIONS FOR 1974. ANY EXCESS OVER THE AMOUNT OF FF
48 MILLION ATTRIBUTABLE TO EXCEPTIONAL SALARY AND,
MORE PARTICULARLY, PRICE INCREASES SHOULD BE DULY JUSTIFIED
PRIOR TO ANY APPROVAL. AS TO NEW REQUIREMENTS, FRANCE DRAWS
THE ATTENTION OF ITS ALLIES ESPECIALLY TO THE
RISKS OF REJECTION INHERENT IN ANY REQUEST NOT LINKED WITH A
STUDY OF POSSIBLE CORRESPONDING SAVINGS.

(9) C-M(73)85, PARA 16; C-M(74)50

POSTS PROPOSED BY INTERNATIONAL MILITARY HEADQUARTERS AND
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AGENCIES. THE COMMITTEE CONSIDERS THAT, IN TOTAL NUMBER,
THE CURRENTLY APPROVED INTERNATIONAL CIVILIAN PERSONNEL
ESTABLISHMENT IS ADEQUATE TO PROVIDE THE FLEXIBILITY TO
MEET THE RECOGNISED MILITARY REQUIREMENT FOR A SPECIALISED
CIVILIAN COMPLEMENT IN MILITARY HEADQUARTERS AND AGENCIES.
THE CONTINUALLY INCREASING SCALES OF REMUNERATION OF
INTERNATIONAL CIVILIAN PERSONNEL, INCLUDING THE CONCOMITANT
INCREASES ASSOCIATED WITH THE REIMBURSEMENT OF MILITARY
PERSONNEL COSTS, ARE OUTSIDE THE CONTROL OF THE COMMITTEE;
THIS APPLIES EQUALLY TO LOCAL WAGE SCALE PERSONNEL. THESE
INCREASES WILL UNDOUBTEDLY INTENSIFY APPLICATION OF THE
ABOVE MENTIONED POLICY IN RESPECT OF ANY ESTABLISHMENT
CHANGES REQUESTED IN THE FUTURE.

(B) OBSERVATIONS OF INDIVIDUAL BUDGETS OR BUDGET
ELEMENTS

(1) COMMON OPERATING AND MAINTENANCE EXPENSES

15. WHILE THE COMMITTEE HAS NOTED THAT HEADQUARTERS AND AGENCIES CONSIDER AS AUSTERE ITS CREDIT RECOMMENDATIONS FOR CERTAIN SECTORES OF COMMON OPERATING EXPENDITURES, SUCH AS OFFICIAL TRAVEL, MAINTENANCE OF BUILDINGS AND INSTALLATIONS AND REPLACEMENT OF EQUIPMENT AND FACILITIES, INCLUDING TELECOMMUNICATIONS EQUIPMENT AND FACILITIES, IT CONSIDERS THE FUNDS RECOMMENDED TO BE ADEQUATE FOR FINANCING ESSENTIAL ACTIVITIES THROUGHOUT 1975. WHENEVER THE MILITARY COMMITTEE OR THE MAJOR NATO COMMANDERS BELIEVE THAT RECOMMENDED FUNDING LEVELS ARE LEADING TO DEGRADATION OF MILITARY CAPABILITY OR EXCESSIVE DETERIORATION OF PHYSICAL ASSETS, THEY SHOULD UNDERTAKE A GENERAL REASSESSMENT COMMAND WIDE OF THE REQUIREMENTS CONCERNED FOR CONSIDERATION BY THE COMMITTEE.

(2) COSTS OF RENTED CIRCUIT PROGRAMMES

16. THE COMMITTEE HAS NOTED THAT, AS RESULT OF RECENT TARIFF REVISIONS, THE TARIFFS FOR RESERVED CIRCUITS IN AT LEAST THREE COUNTRIES ARE ALMOST THOSE FOR PERMANENT CIRCUITS. PTT CIRCUITS ARE FUNDED UNDER THE MILITARY BUDGETS ACCORDING TO CRITERIA WHICH ARE NO LONGER ADEQUATE AND WILL BECOME UNREALISTIC WITH THE NEW COMMUNICATIONS ENVIRONMENT TO CONFIDENTIAL

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BE INTRODUCED THROUGH NICS. THE COMMITTEE HAS THEREFORE AUTHORISED THE WORKING GROUP OF NATIONAL COMMUNICATIONS EXPERTS TO EXPLORE THE PROBLEMS INVOLVED AND DRAFT NEW CRITERIA.

(3) COSTS OF MAJOR EXERCISES

17. THE MAJOR EXERCISED PROGRAMME IS THE SOLE LARGE ITEM OF MILITARY BUDGET EXPENDITURES SUBJECT TO ANNUAL VARIATIONS AND RADICAL ADJUSTMENT. THE SIZE OF THE PROGRAMME THUS SIGNIFICANTLY AFFECTS THE ANNUAL BUDGET TOTALS AND ITS IMPLEMENTATION SIMILARLY AFFECTS THE EXPENDITURE PATTERN. IN 1974 TWO LARGE AMF EXERCISES WERE PLANNED- ONE WAS CURTAILED AND THE OTHER CANCELLED. SACEUR DISIRES THAT FUNDS FOR AN ADDITIONAL EXERCISE IN 1975 BE GRANTED. AT THIS TIME THE COMMITTEE IS NOT PREPARED TO RECOMMEND MORE THAN BF 357 MILLION, THE NORMAL ANNUAL AMOUNT.

(4) COSTS OF NAMSA LOGISTIC SUPPORT OF THE NADGE
EARLY WARNING FORWARD SCATTER AND SATCOM SYSTEMS

18. THE FUNDS ALLOCATED TO NAMSA FOR SUPPLY AND MAINTENANCE OF THE NADGE, EARLY WARNING, FORWARD SCATTER AND SATCOM SYSTEMS AND THE OVERHEAD CHARGES IT LEVIES FOR THESE SERVICES INCREASE SUBSTANTIALLY FROM YEAR TO YEAR. THE COMMITTEE IS CONCERNED AT THIS DEVELOPMENT AND WILL CONSIDER MEANS BY WHICH SHAPE CAN BE PLACD IN A POSITION BETTER TO EXERCISE FINANCIAL CONTROL OVER EXPENDITURES INCURRED BY THE AGENCY.

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SECDEF FOR ISA(MILLER), COMPTORLLER(UMBARGER).

JCS FOR J-5.

(5) OPERATING AND MAINTENCE COSTS OF VLF
STATION TAVOLARA

19. THE COMMITTEE HAS BEEN UNABLE TOMAKE ANY RELIABLE ASSESSMENT OF THE ANNUAL OPERATING AND MAINTENANCE COSTS OF VLF STATION TAVOLARA. FOR 1975, IT THEREFORE CONTINUES TO RECOMMEND THE INTERIM SOLUTION OF ADVANCE PAYMENTS TO THE ITALIANAUTHORITIES VIA THE BUDGET OF HEADQUARTERS AFSOUTH, HOPING THAT, IN THE COURSE OF THE YEAR, IT MAY BE ABLE TO REACH FINAL CONCLUSIONS ON THEANNUAL BUDGETARY PROVISIONS TO BE MADE FOR THE OPERATION ANDMAINTENANCE OF THIS FACILITY.

(6) AAFCE

20. FOR 1974, THE OPERATING AND MAINTENANCE COSTS OF THE NEW HEADQUARTERS AAFCE HAVE BEEN CONTAINED WITHIN THE EXISTING BUDGETARY CREDITS. FOR 1975, THE COMMITTEE AWAITS

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SUBMISSION OF THE NECEARY RELOCATION AND BUGET ESTIMATES AND WILL SUBMIT ITS RECOMMENDATIONS THEREON TO THE DEFENCE PLANNING COMMITTEE IN ACCORDANCE WITH THE PROCEDURE LAID DOWN IN C-M(69)22. THE 1975 BUDGETS RECOMMENDED FOR HEADQARTERS AFCENT, CENTAG AND 4 TH ATAF HAVE THEREFORE BEEN ASSESSED AS THE REQUIREMENTS ARISING FROM THEIR PRESENT STRUCTURE AND ACTIVITIES.

(C) FINANCIAL MANAGEMENT SYSTEMS, PROCEUDURES AND PRACTICES

(1) REVISION OF THE BUDGETARY PROCESS

21. TO IMPROVE THE BUDGETARY CONTROL OF FUNDS ALLOCATED, THE COMMITTEE HAS ABOLISHED THE PROCEDURE OF REGULARIZATION OF AUTHORISED ADDITIONAL EXPENDITURE AFTER THE CLOSE OF THE FINANCIAL YEAR AND REPLACE IT BY A PROCESS OF REVIEW AND APPROVAL OF SUPPLEMENTARY BUDGETS IN THE CORSE OF THE YEAR.

22. AS IT DID THIS YEAR, THE COMMITTEE WILL ISSUE SPECIFIC CRITERIA GOVERNING THE PREPARATION AND REVIEW PROCESS FOR THE 1976 BUDGETS, TO INCLUDE POLICY GUIDANCE RELATING TO THE TREATMENT OF SALARY/WAGE AND PRICE INCREASE.

23. THE COMMITTEE WILL PURSUE STUDIES DURING 1975 TO IMPROVE THE SYSTEM OF LONG TERM BUDGETARY FORECASTING, PARTICLARY WITH A VIEW TO INCORPORATING THERIN THE REQUIREMENTS ARISING FROM THE IMPLEMENTATION OF NEW INFRASTRUCTURE PROJECTS AND NICS.

(2) STUDY OF OTHER FINANCIAL PROCEDURES AND PRACTICES

24. DURING 1975, THE COMMITTEE WILL ALSO STUDY HEADQUARTERS ACCOUNTING (INCLUDING COMMITMENT) AND TREASURY OPERATIONS, THE PREPARATION OF FINANCIAL STATEMENT AND, IN PARTICULAR, THE BASIS ON WHICH CALLS FOR CONTRIBUTIONS ARE ESTABLISHED. IN THIS RESPECT, THE COMMITTEE HAS NOTED THE CONCERN OF SEVERAL COUNTRIES THAT CALLS FOR CONTRIBUTIONS SHOULD BE MORE CLOSELY ALIGNED WITH ANNUAL CREDIT AUTHORISATIONS THAN HAS BEEN THE CASE IN RECENT YEARS, WHERE THE CNTRIBUTIONS CALLED HAVE BEEN 15 PCT TO 20 PCT LOWER THAN THE CREDIT AUTHORISATIONS.

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(3) CONTRIBUTIONS TO THE INTERNATIONAL MILITARY BUDGET

25. THE UNITED STATES POSITION REGARDING THEIR CONTRI- BUTION TO THE INTERNATIONAL MILITARY BUDGET FOR 1975 REMAINS AS REFLECTED IN PARA 13 OF C-M(73)85, PENDING DECISION

BY THE COUNCIL WITH RESPECT TO THE BUDGET COST SHARING
FORMULA. THE SAME PARA CONTINUES TO REFLECT THE POSITION OF THE
OTHER COUNTRIES ON THIS MATTER.

V. CONCLUSION

26. THE MILITARY BUDGET COMMITTEE INVITES THE COUNCIL TO
TAKE NOTE OF THIS REPORT, IN WHICH IT RECOMMENDS THE FINANCIAL
PROVISIONS WHICH IT CONSIDERS ADEQUATE TO COVER THE COST OF
MAINTAINING THE EXISTING INTERNATIONAL MILITARY STRUCTURE
AND LEVEL OF ACTIVITIES THROUGHOUT 1975 AND TO PERMIT THE
POSSIBLE FINANCING OF NEW MILITARY REQUIREMENTS OF ONLY
THE HIGHEST PRIORITY. (SIGNED) CHAIRMAN
END OF QUOTE. BRUCE

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